

Platts Coal Marketing Days

PERSPECTIVE ON COAL PRICES

**September 20, 2007
Omni William Penn Hotel
Pittsburgh, PA**

**William Watson
Office of Coal, Nuclear, Electric & Alternate Fuels
Energy Information Administration**

Topics Covered

- A look at railroad transport and f.o.b. mine prices by major coal basin
- What's going on
- How these data inform us about prices ahead, including long-term forecasts

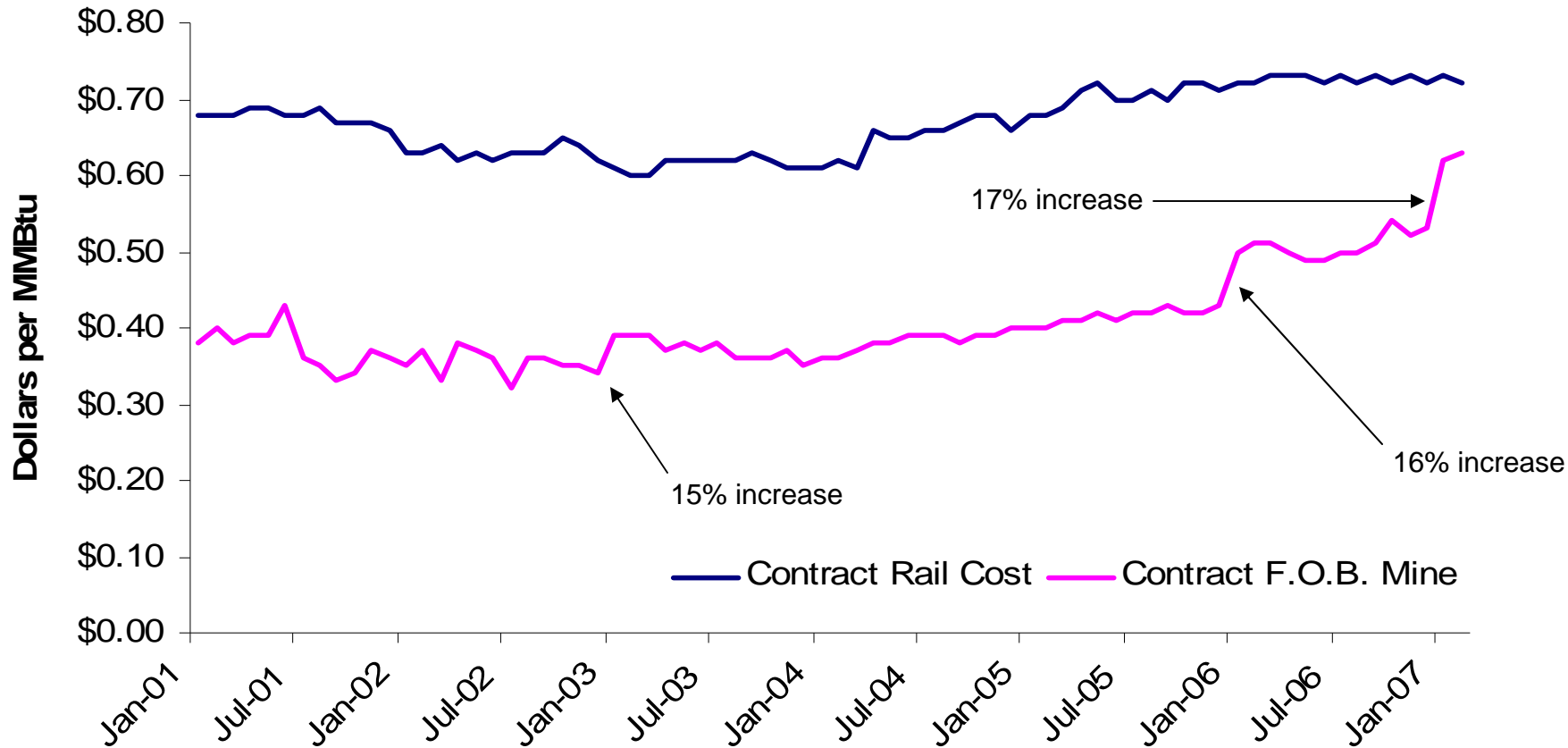
Coal Supply Factors

- Nominal Coal prices at mines have risen
 - Powder River Basin (PRB): Jan 03, Jan 06 and Jan 07 saw discrete jumps
 - Central Appalachia (CA): Jan 05, Jan 06, and Jan 07 saw discrete jumps
 - Northern Appalachia (NA): Steady increase in nominal fob prices
 - Illinois Basin (IB): From Jan 04 steady increase in nominal prices; perhaps a downturn in early 07

Coal Supply Factors

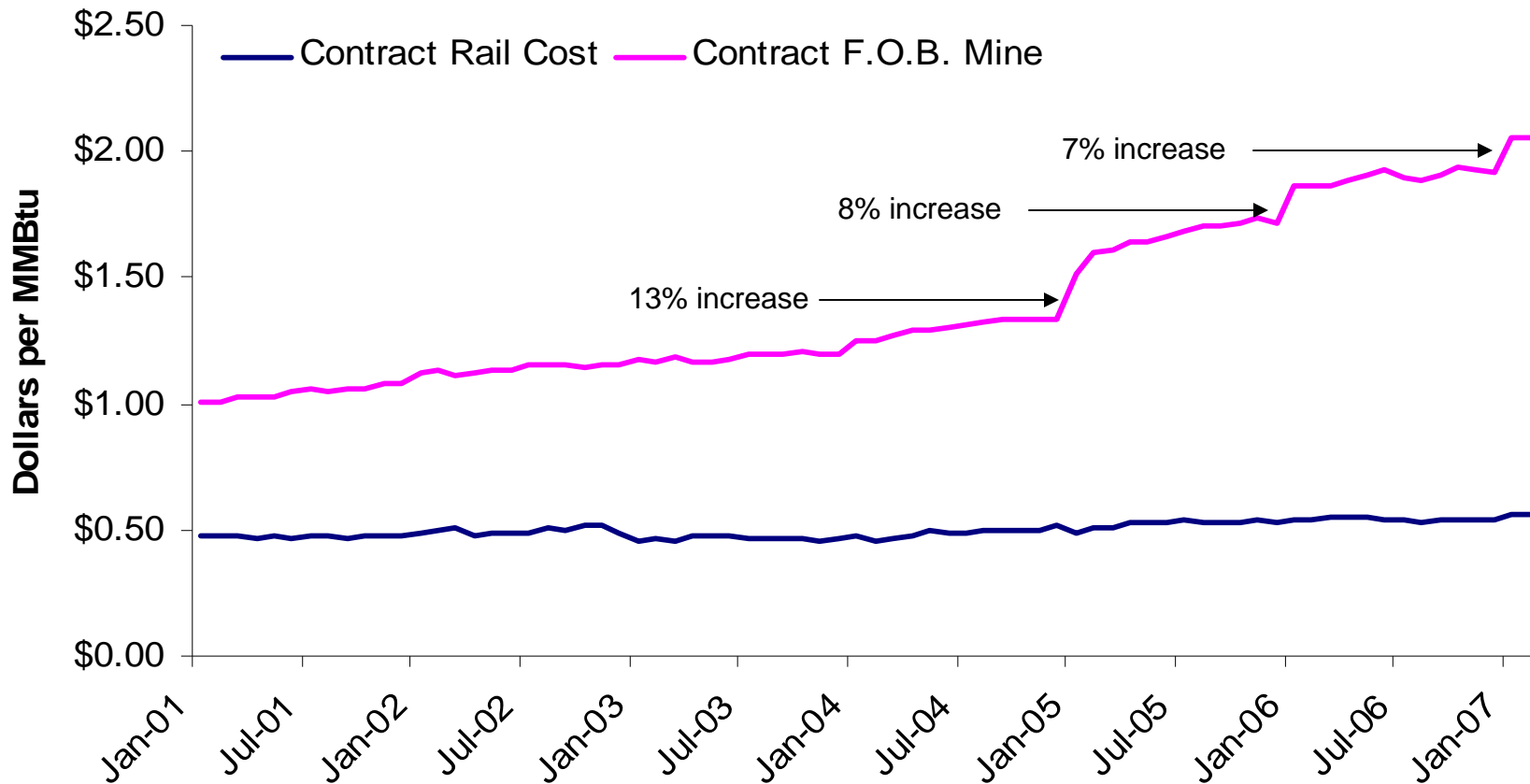
- Starting in 2005, railroads began exacting higher coal transport rates
- Effects have been gradual on average shipping costs because new rail shipping contracts phase in over 6-8 years
- Although average rate increases are gradual, dramatic contrasts between prior and new rates fuel shipper anxiety
- But among major coal basins, Northern Appalachia is the only basin showing signs of upward movement of transport costs

PRB Coal Prices



Source: Platts COALdat database

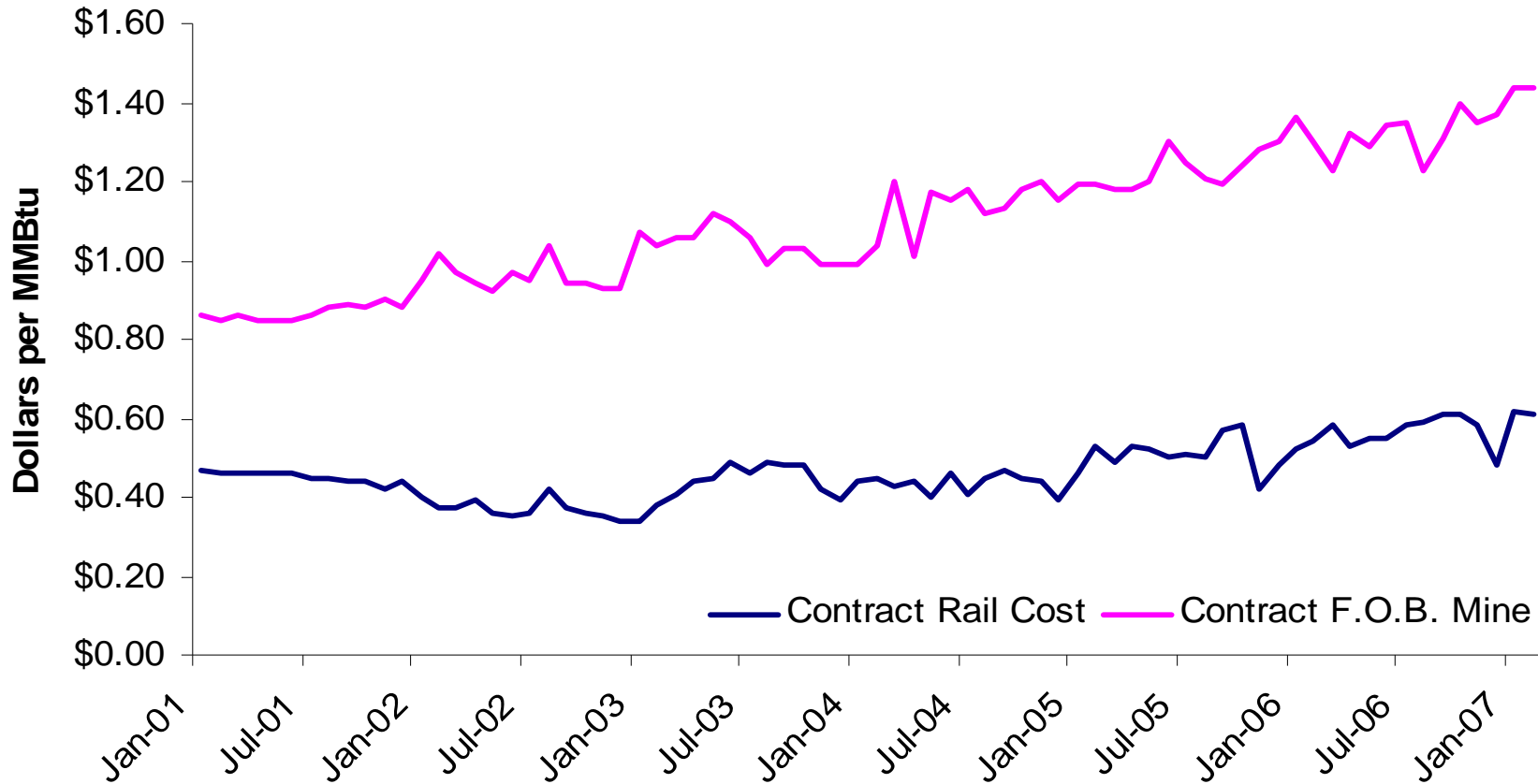
Central Appalachian Coal Prices



Source: Platts COALdat database

www.eia.doe.gov

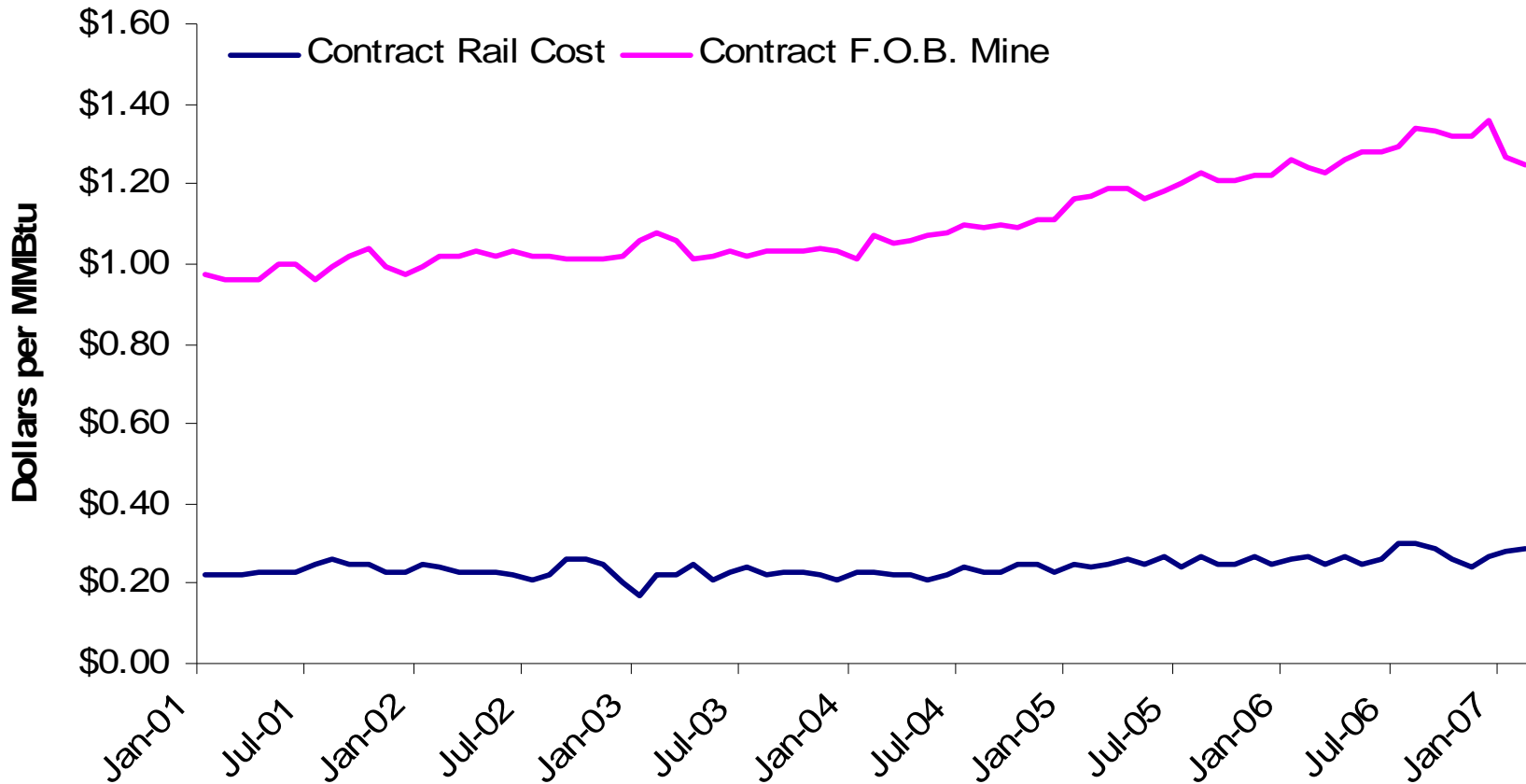
Northern Appalachian Coal Prices



Source: Platts COALdat database

www.eia.doe.gov

Illinois Basin Coal Prices



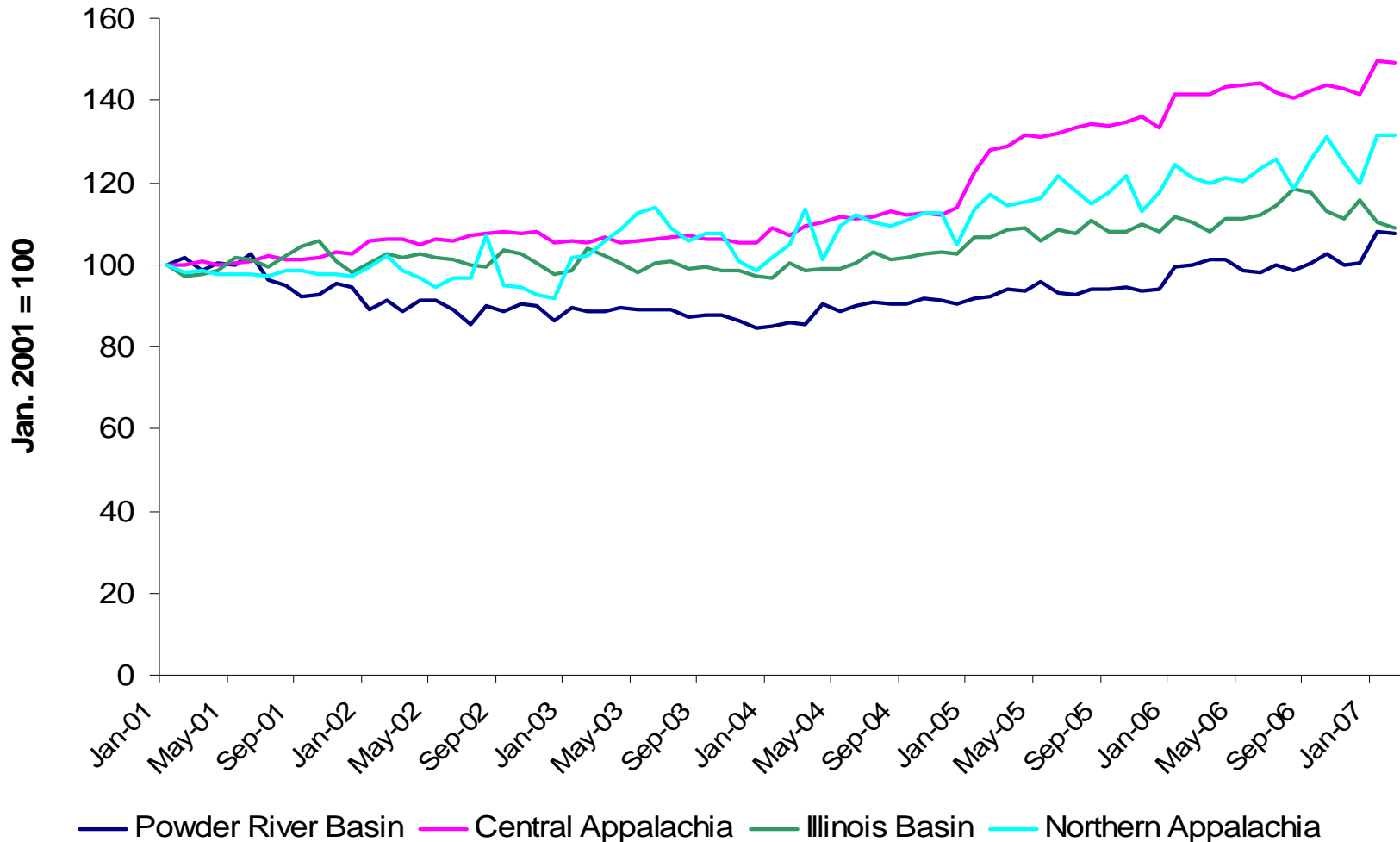
Source: Platts COALdat database

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Coal Supply Ahead

- Average real delivered prices by coal basin show an increasing advantage for PRB
 - PRB declining or flat, possibly turning up in 07
 - IB by 2007 about 10% above 2001 levels
 - NA by 2007 about 30% above 2001 levels
 - CA by 2007 about 50% above 2001 levels
- CA compliance coal lost its margin against CA noncompliance coal 2004 thru mid-2006
 - Possible Reason: China and India met coal demand surge 2004 and 2005

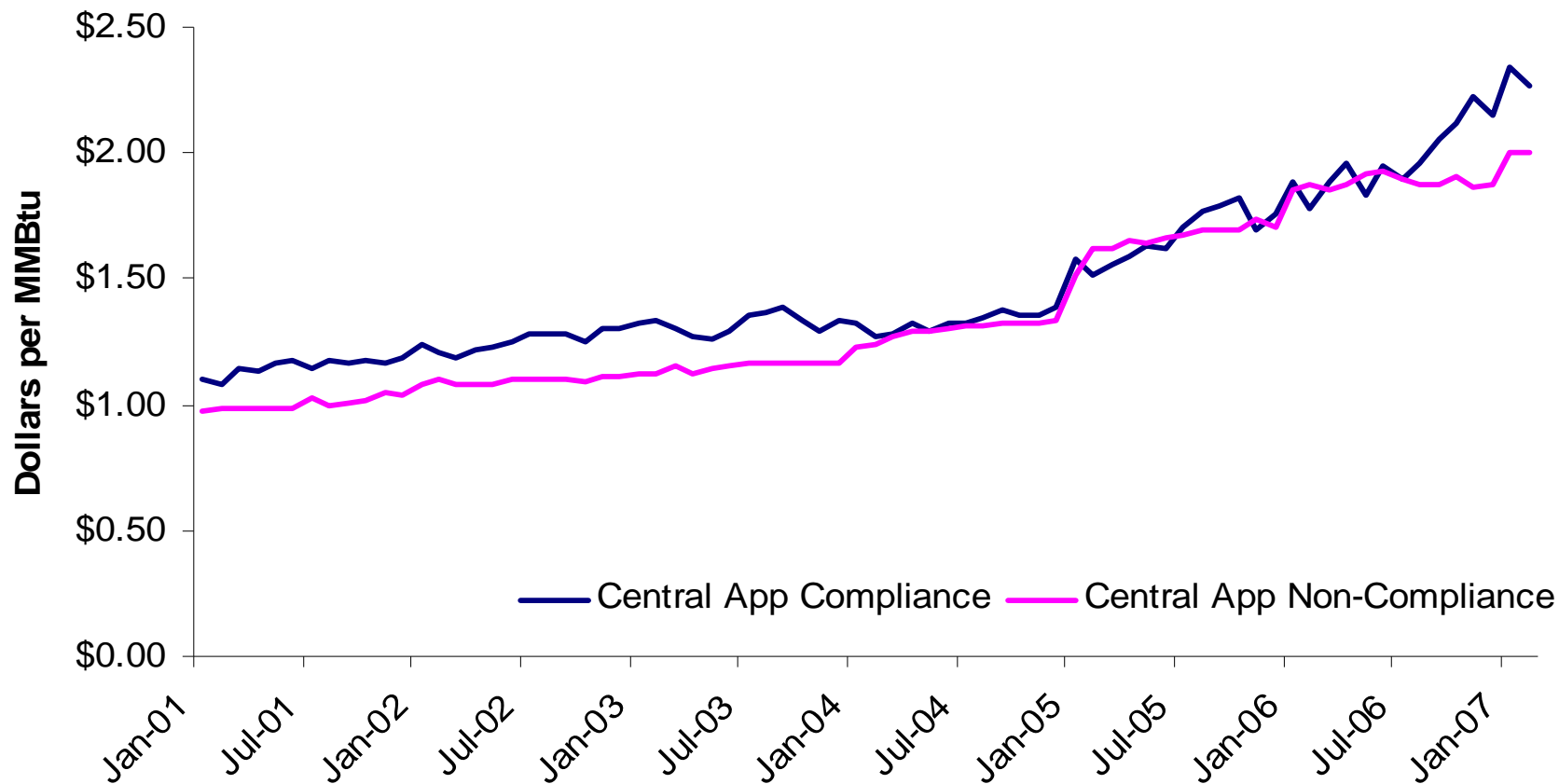
Avg. Real Delivered Price to Electric Utilities, Delivery by Rail



Source: Platts COALdat database

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Central Appalachian Contract Compliance and Non-Compliance Mine Prices

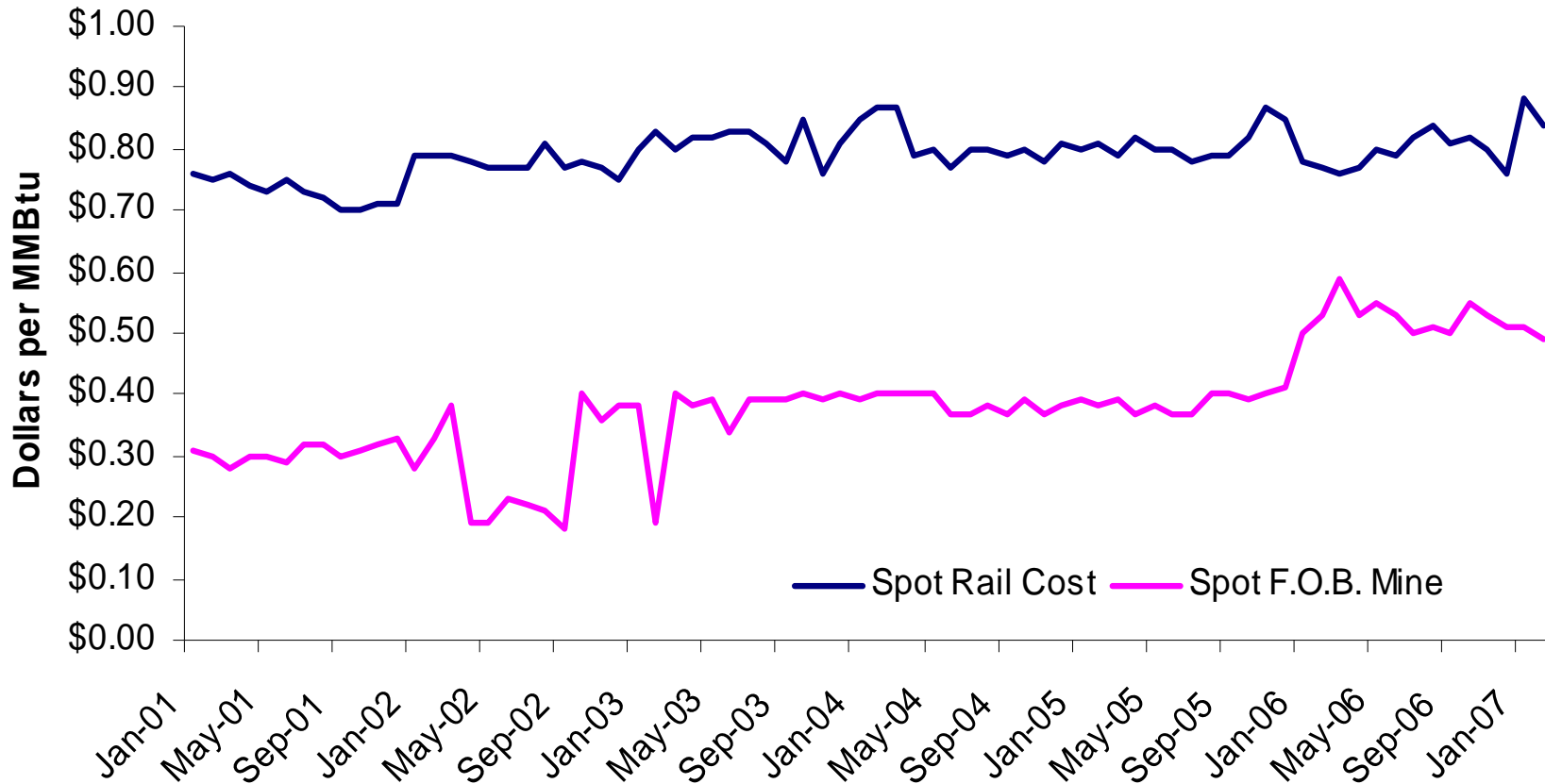


Source: Platts COALdat database

Coal Price Trends

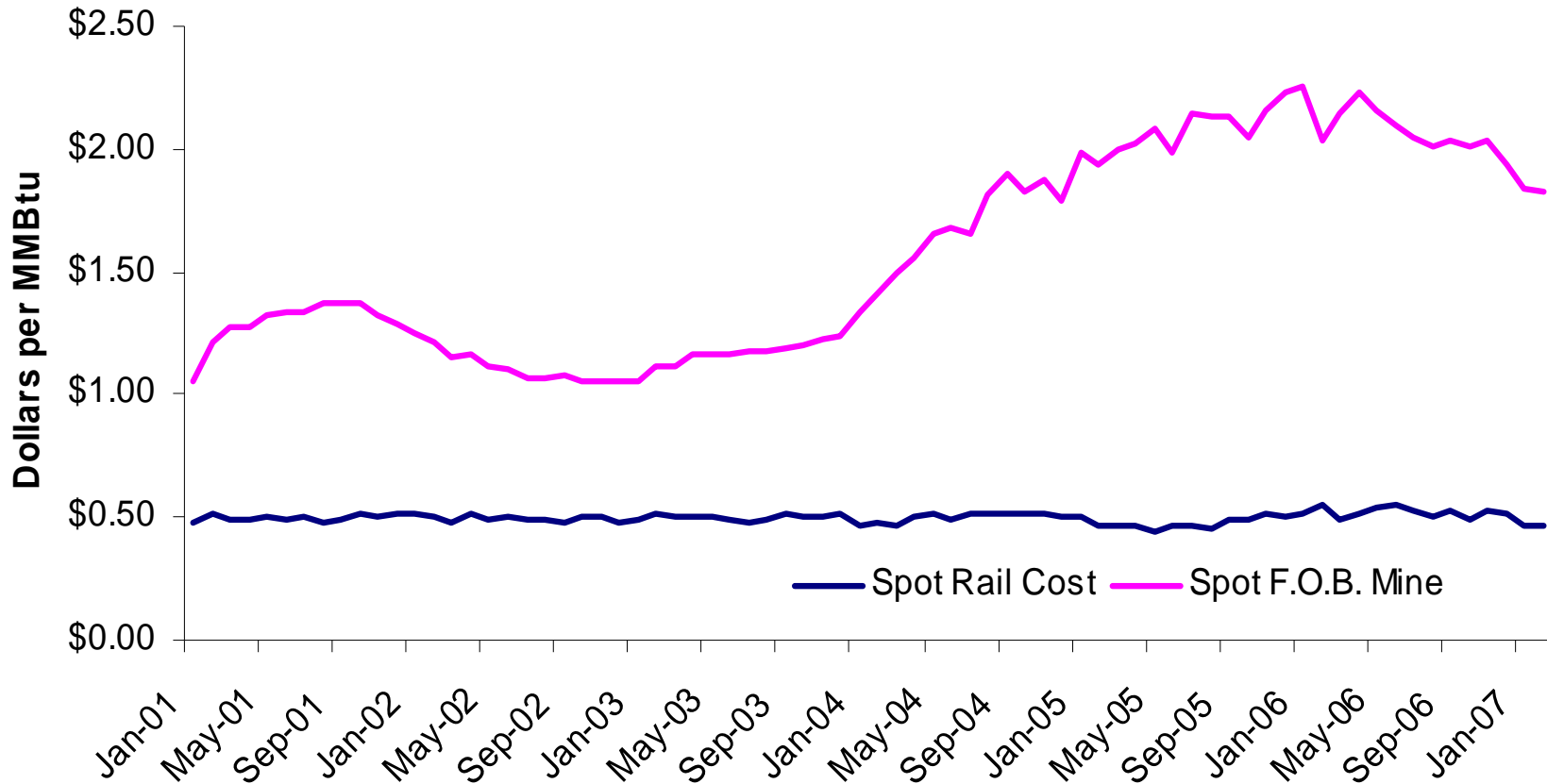
- Recent coal spot f.o.b. prices indicate:
 - Higher prices for PRB
 - Declining prices for Central Appalachia
 - Flat prices for Northern Appalachia
 - Declining prices for Illinois Basin

PRB Spot Coal Prices



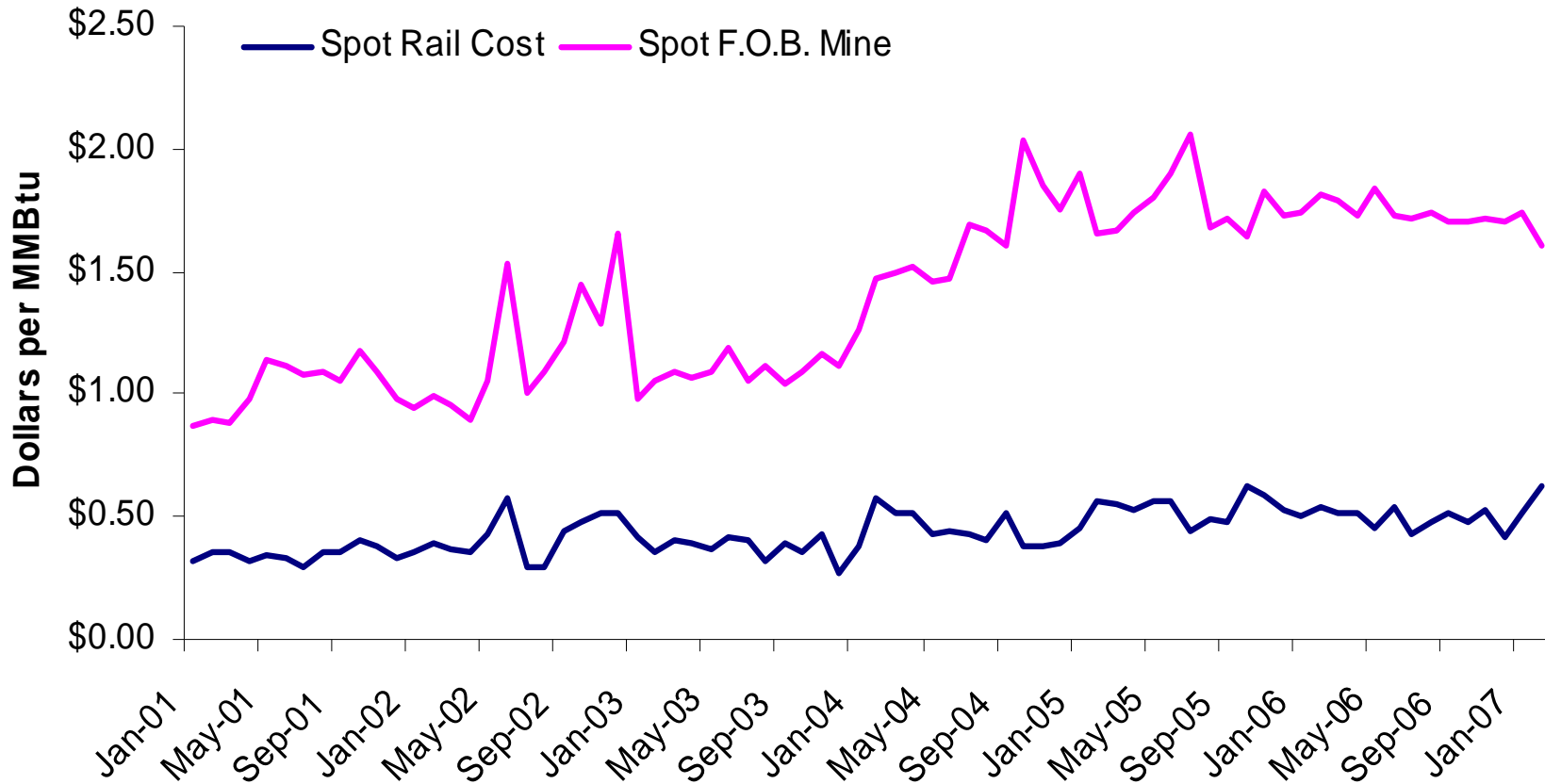
Source: Platts COALdat database

Central Appalachian Spot Coal Prices



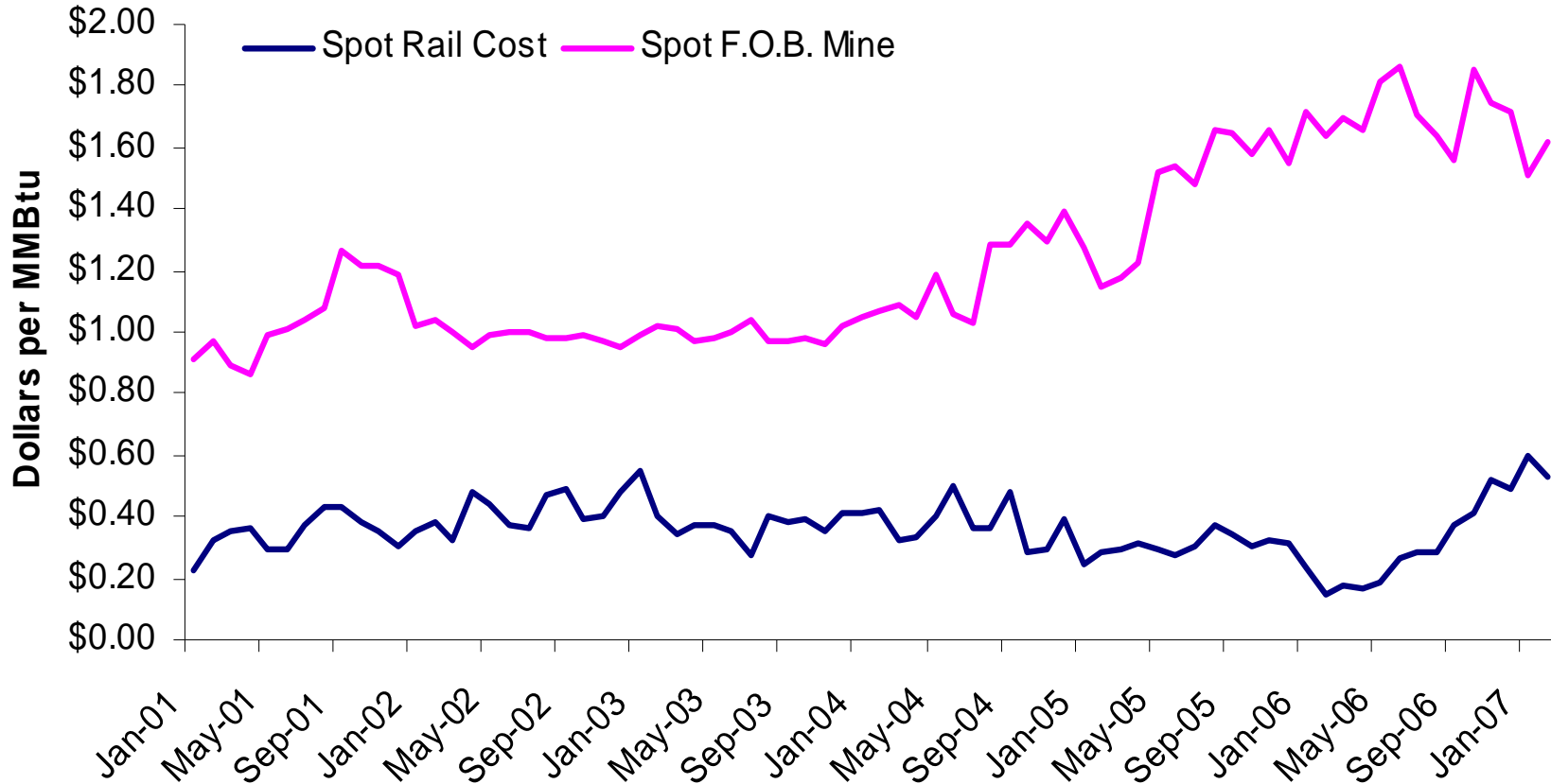
Source: Platts COALdat database

Northern Appalachian Spot Coal Prices



Source: Platts COALdat database

Illinois Basin Spot Coal Prices



Source: Platts COALdat database

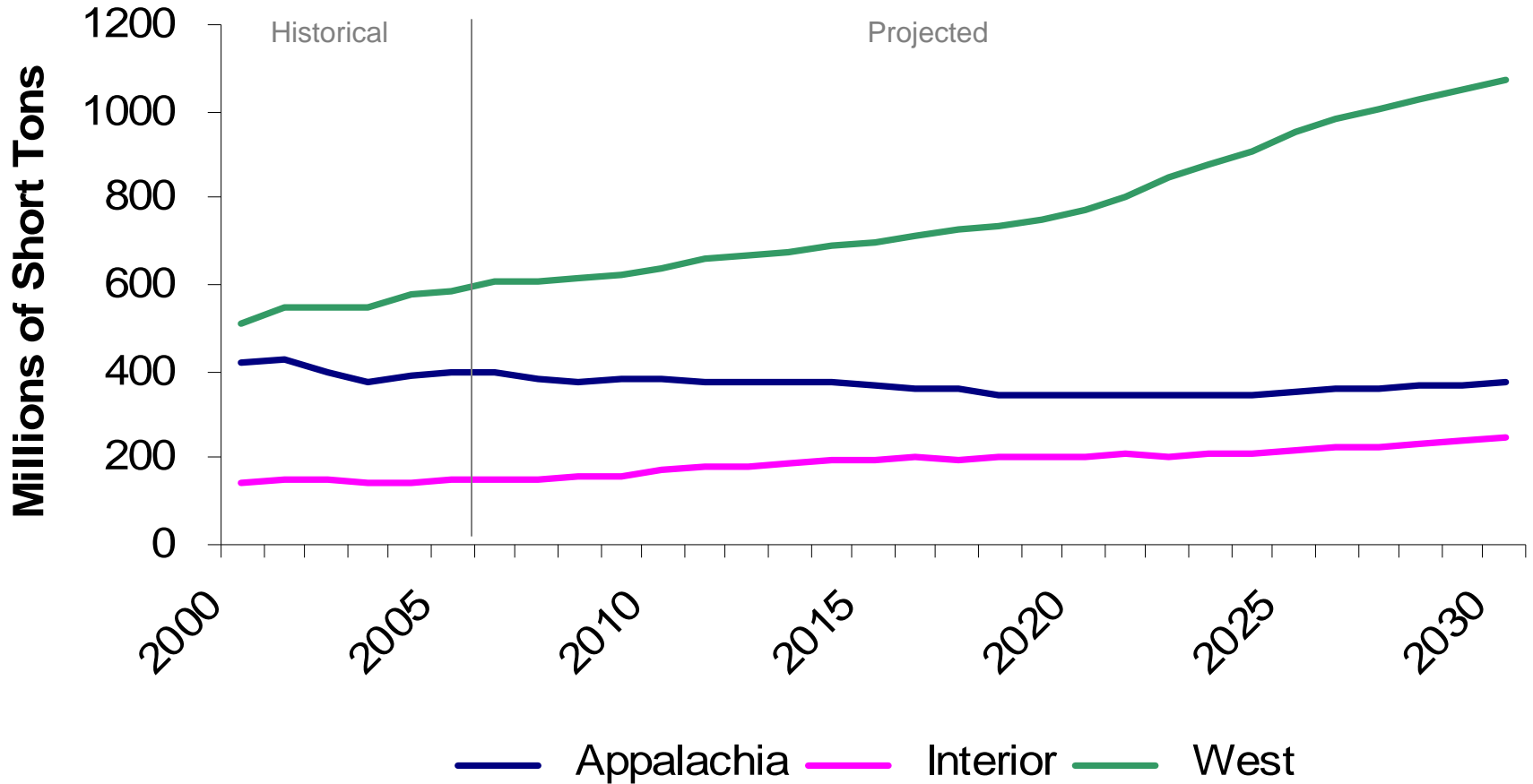
AEO 2007 Forecasts

- Annual Energy Outlook 2007 reference case based on current rules and regulations as of October 31, 2006
- But over 35 other cases, including:
 - Three alternative economic growth cases
 - Three alternative oil/gas price cases
 - Three coal price cases
 - Many alternative technology cases. . .

AEO 2007 Forecast Reference Case

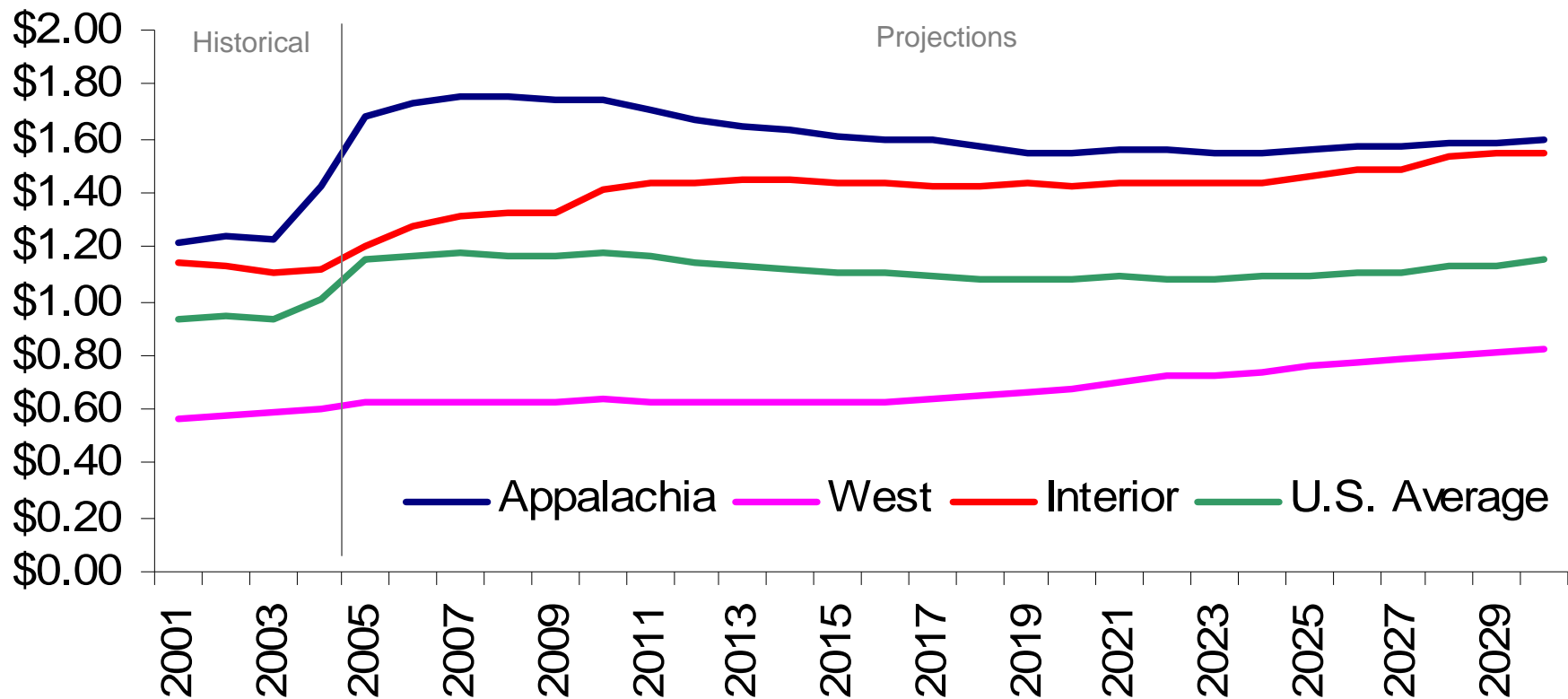
- Projected 490MMst of demand-driven growth in PRB coal production
- Significant growth in Illinois Basin
- Appalachia is on a long slow glide path
- Forecast coal prices show a continuation of current trends

Projected Coal Production Reference Case, 2007 – 2030



Source: Annual Energy Outlook 2007

Avg. Minemouth Price of Coal by Region, 2001-2030 (2005 dollars per million Btu)



Source: Annual Energy Outlook 2007

Conclusions and Caveat

- AEO Reference Case for coal is a consistent and market-based outcome given regulations as of October 2006 and price trends to date
- Caution
 - New legislation on GHG, deregulation, and other environmental concerns could alter today's view significantly